

Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4827

S E C R E T KINGSTON 1856

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EMD, EMIN, ETRD, PFOR, JM, US

SUBJ: BAUXITE NEGOTIATIONS SITREP 70

REF: STATE 104527; KINGSTON 1747

1. WE HAVE RECEIVED A LETTER DATED MAY 24, 1974 FROM GORDON WELLS, PERM SEC MINEXSTAFF, ADDRESSED TO CHARGE REPLYING TO CHARGE'S LETTER TO WELLS OF MAY 18, 1974 ON THE BAUXITE NEGOTIATIONS. ALTHOUGH WELLS' LETTER WAS DATED MAY 24 IT WAS NOT RECEIVED IN THE EMBASSY UNTIL SOAY 28. ITS TEXT IS FORWARDED BELOW. DEPT WILL NOTICE THAT IT APPEARS TO LEAVE NO ROOM WHATSOEVER FOR FURTHER REVENUE NEGOTIATIONS.

2. BEGIN TEXT:

"DEAR MR. HEWITT,

I AM WRITING TO ACKNOWLEDGE AND THANK YOU FOR YOUR LETTER OF 18TH MAY, 1974 ABOUT THE NEGOTIATIONS BETWEEN THE GOVERNMENT OF JAMAICA AND THE ALUMINUM COMPANIES.

WHILE WE GENUINELY SHARE YOUR DISAPPOINTMENT THAT THE FIRST PHASE OF THE NEGOTIATIONS BETWEEN THE ALUMINUM COMPANIES AND JAMAICA HAS NOT ENDED IN AGREEMENT, I CAN ASSURE YOU THAT THE DECISIONS TAKEN BY THE GOVERNMENT OF JAMAICA HAVE FULLY TAKEN INTO ACCOUNT THE FINANCIAL AND OTHER INTERESTS OF THE COMPANIES WITH WHICH WE HAVE BEEN NEGOTIATING.

CLEARLY IT IS IN THE INTEREST OF JAMAICA THAT THE BAUXITE AND ALUMINUM COMPANIES OPERATING HERE ARE PLACED IN A POSITION WHICH ENABLES THEM TO MAKE A REASONABLE PROFIT ON THE BASIS OF

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EFFICIENT OPERATIONS. WE ARE IN NO DOUBT WHATSOEVER, AND NONE OF

THE COMPANIES HAVE BEEN ABLE TO PRODUCE MATERIAL TO SUGGEST THAT THE STEPS TAKEN BY THE GOVERNMENT OF JAMAICA WILL IN ANY WAY IMPAIR THE PROFITABILITY OF THE BAUXITE AND ALUMINUM COMPANIES.

IN ORDER FOR US TO KEEP THIS EXERCISE IN PERSPECTIVE IT IS GOOD TO REMEMBER THAT PRIOT TO THE NEGOTIATIONS JAMAICA HAD BEEN RECEIVING NOT MORE THAN HALF OF ONE CENT IN THE PRICE OF A POUND OF ALUMINUM METAL OR 2.5 PERCENT OF SUCH PRICE WHEN METAL WAS 21 CENTS PER POUND IN EARLY 1973. THE PRICE NOW DECIDED ON BY THE GOVERNMENT REPRESENTS 7.5 PERCENT OF THE VALUE OF ALUMINUM PIG AND IS STILL ONLY 2 CENTS IN THE PRICE OF A POUND OF ALUMINUM METAL. AS THE US MARKET VALUE OF ALUMINUM METAL IS NOW 31.5 CENTS PER POUND AND WILL BE 33.5 CENTS AFTER 3RD JUNE, THE TOAL INCREASE SOUGHT BY THE GOVERNMENT IS LESS THAN 5 PERCENT OF SUCH VALUES.

IT IS THE ABOVE SMALL INCREASE WHICH WILL INCREASE THE JAMAICAN GOVERNMENT'S REVENUE FROM AN ANNUAL RATE OF ABOUT \$25,000,000 TO \$150,000,000 THAT THE COMPANIES FOUND IT IMPOSSIBLE TO ACCEPT.

AS FAR AS THE FUTURE OF ALUMINUM DEMAND IS CONCERNED I MUST ASSURE YOU THAT WE HAVE MADE MOST CONSERVATIVE ASSESSMENTS NONE OF WHICH THE COMPANIES HAVE FOUND IT POSSIBLE TO QUESTION SERIOUSLY. YOU WILL RECALL THAT AT LEAST ONE COMPANY HAS ALREADY PUBLICLY INDICATED THAT IT SEES NO NEED TO AT THIS TIME REVIEW ITS PROJECTION OF EARNINGS AND, AS INDICATED ABOVE, WE ARE CONVINCED FROM ALL THE FACTS AVAILABLE THAT ALL COMPANIES WILL MAINTAIN A HIGH LMEVEL OF PROFIT IN THE FUTURE.

ON THE QUESTION OF FURTHER NEGOTIATIONS I SHOULD POINT OUT THAT THIS WILL NOT BE RELATED TO THE PRODUCTION LEVY ABOUT WHICH A BILL HAS ALREADY BEEN PLACED BEFORE THE PARLIAMENT BUT RATHER TO THE OTHER PROPOSALS MADE BY THE GOVERNMENT OT THE COMPANIES WHICH WE HOPE WILL LEAD AFTER A PERIOD OF SUCCESSFUL NEGOTIATIONS TO A NEW ERA OF DYNAMIC PARTNERSHIP BETWEEN JAMAICA AND THE BAUXITE AND ALUMINUM COMPANIES.

YOURS SINCERELY,
(SIGNED) GORDON WELLS
PERMANENT SECRETARY
MINISTRY OF EXTERNAL AFFAIRS"
END TEXT.
HEWITT

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, MINING INDUSTRY, NEGOTIATIONS, DIPLOMATIC COMMUNICATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINGST01856
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740136-0359
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974058/aaaaagmc.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: STATE 104527; KINGSTON 1747
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by kelleyw0>; APPROVED <19 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE NEGOTIATIONS SITREP 70
TAGS: EFIN, EMIN, ETRD, PFOR, JM, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005